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REVIEW OF RECENT PROGRESS IN THE DEVELOPMENT OF TRANSIT TRANSPORT SYSTEMS IN LATIN AMERICA

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LIST OF ABBREVIATIONS

BOLIVIA

AADAA	Administración Autonoma de Almacenes Aduaneros
ACE	Acuerdo de Complementación Económica
ASP-B	Administration of Bolivian Port Services
B/L	Bill of lading
CAF	Corporación Andina de Fomento
CAN	Comunidad Andina de Naciones
CAP S.A.	Central Aguirre Portuaria S.A
CCT	Committee of Technical Coordination
CDE	Executive Direction Committee
CEPAL	Comisión Económica para América Latina
CNDC	Comite Nacional de Despacho de Carga
COMIBOL	Corporación Minera de Bolivia
CONAZOFRA	Consejo Nacional de Zonas Francas
ENAFER	Empresa Nacional de Ferrocarriles del Perú
ENFE	Empresa Nacional de Ferrocarriles
ENTEL	Empresa Nacional de Telecomunicaciones
FASAM	Ferrocarril Andino
FCALP	Ferrocarril Arica La Paz
FCO (S.A.M.)	Ferrocarril del Oriente
GAC	Gravamen Aduanero Consolidado
GSP	General System of Preferences
GTE	Technical and Executive Groups
IBRD	International Bank for Reconstruction and Development
ICE	Specific Consumption Tax
IDA	International Development Agency
IDEA	Instituto para el Desarrollo de Empresarios
ITS	Integrated Transit System
IVA	Value added tax
LAB	Lloyd Aéreo Boliviano
MIC/DTA	Cono Sur Manifiesto Internacional de Carga/Declaración de Tránsito Aduanero
MCI/DTAI	Manifiesto de Carga Internacional/Declaración de Transito Aduanero Internacional Comunidad Andina de Naciones
PNUD	Programa de Naciones Unidas para el Desarrollo
RDC	Regional Development Corporation
SIRESE	Sistema de Regulación Sectorial
SIVEX	Sistema de Ventanilla Unica del Exportador or Exporters' Single Window System
SNC	Servicio Nacional de Caminos
SRMP	Second Road Maintenance Project

TDE	Transportadora de Electricidad S.A.
TIF/DTA	Transporte Internacional Ferroviario/Declaración de Tránsito Aduanero
TISA	Technical Unit of Inspection

PARAGUAY

ANNP	Administración Nacional de Navegacion y Puertos
ALADI	Latin American Association
ALALC	Latin American Association of Free Trade
ANDE	Administración Nacional de Electricidad
ANTEL	Administración Nacional de Telecomunicaciones
BID	Inter-American Development Bank
CET	Common External Tariff
CIH	Intergovernmental Committee of the Waterway
COMIALPA	Comision de Constructores Viales Paraguayas
COPACO	Comision Paraguaya de Construcción
DINAC	Direccion Nacional de Aeronautica Civil
DINATRANS	National Directory of Transport
FCPCAL	Ferrocarril Central del Paraguay, President Carlos Antonio López
FONPLATA	Financing Fund for the Development of the La Plata Basin
JICA	Japan International Cooperation Agency
MERCOSUR	Mercado Comun de Sud America
MIC/DTA	Manifiesto Internacional de Carga/Declaración de Transito Aduanero
MOP	Ministerio de Obras Publicas
SETAMA	Metropolitan Secretariat of Transport
SOFIA	Système d'Ordinateurs du Fret International Aérien

EXECUTIVE SUMMARY

1. Countries without access to the sea suffer from a variety of transportation problems. If we add to this a severe economic crisis such the one happening today in Bolivia and Paraguay, one can understand that the typical or classical solutions to developing commerce are not sufficient. This is particularly true if efforts are directed only to transit procedures and documentation.

2. Integration programmes such as Mercosur, ALADI and the Andean Community have promoted agreements and decisions that are expected to be incorporated into national legislation. It is primarily through these instruments that Bolivia and Paraguay have accepted international standards. These regional organizations derive their recommended standards from patterns started 30 years ago by the United Nations to develop uniform worldwide international commerce standards. In the range of issues raised in this report one can see that despite having incorporated these essential principles into their legislation, Paraguay and Bolivia still fall short of their goal of achieving a seamless and efficient transit system. They suffer from a shortage of material and human resources which block their attempts to put into practice what national and international legislation prescribe.

3. Both countries have insufficient road networks, with Bolivia worse off than Paraguay. The lack of an adequate road infrastructure is a major bottleneck for their transport systems. Maintaining and managing the infrastructure presents many problems. Very often, projects aimed at improving the infrastructure are not completed and in some cases never even get off the ground. Turning over the maintenance of the infrastructure to the private sector has not achieved efficient gains because contracts have not always been awarded to the best qualified candidates.

4. Long-distance transportation by rail has suffered because the State could not maintain appropriate levels of investment for maintenance and upgrading. Today, as in the case of Paraguay, the rail system no longer functions. In Bolivia railways have been turned over to foreign management, but the long-term prospect for the railway subsector is in doubt because of limited levels of investment.

5. Reform in Customs administration is slow in both countries. The introduction of information processing and transfer systems is expected to remove discretionary practices and malpractices, but the reform of customs administrations will take time to bear fruit. Bolivia has introduced a tough customs law, but its effectiveness will be hampered by the inadequate judicial system in terms of both facilities and manpower.

6. Even though both these countries have extensive navigable rivers, neither has been able to take advantage of them owing to lack of technology and resources. It is well known that this economic and ecology-friendly means of transportation demands a significant investment in order to function. The inclusion of the "Hidrovia" waterway of the Paraguay and Parana Rivers Programme (Puerto Caceres to Puerto Nueva Palmira) within the framework of the Treaty of the Rio de La Plata Basin should pave the way for its future

development. For Bolivia the "Hidrovia" represents an important outlet to the Atlantic Ocean which can be made to be cost-effective.

7. Public-private sector partnership in the fields of communication, gas production and transportation systems have yielded positive results for Bolivia. The privatization of telecommunications and the large-scale investment which followed, have turned Bolivia into a fiber optics cable network distribution centre for South America. Users have greatly benefited from advanced technology and lower prices resulting from private sector participation and competition.

8. Similarly, the recent petroleum law and the privatization of the Bolivian oil pipeline system operated by Yacimientos Petroliferos Fiscales Bolivianos (YPFB) have attracted oil companies from all over the world. This has generated a gas boom with discoveries that have put Bolivia in second place, after Venezuela, which has enormous natural gas and oil reserves. One of the end products of this boom has been the construction of the largest gas pipeline in South America, which transports gas from Santa Cruz in Bolivia to Santos in Brazil.

9. Both Paraguay and Bolivia have high hopes of attracting investment with their trail-blazing concession laws. The objective of these laws is to finance the construction of a transportation infrastructure that can reverse the historical inefficiency of the national Governments. But so far, these expectations have not been met. VASP, Cruz Blanca, Lucsik and Saavedra are examples of companies that have yet to demonstrate the hoped-for results.

10. Both countries must give priority to education in the transport field, the development of technical units recruiting professionals with experience, and the training of the actual operators. Bolivia and Paraguay should develop bi-national projects that permit them to share experiences and economize on costs. The union of these two landlocked countries would allow them to catch up with the transport technology on the continent, and facilitate the financing of infrastructure projects. This seems to be the most appropriate future step for both Bolivia and Paraguay.

I. OVERVIEW OF RECENT DEVELOPMENTS IN TRANSPORTATION FACILITIES AND SERVICES FOR BOLIVIA

A. Basic transit transport issues

1. Overall economic situation

11. The Republic of Bolivia is located in the centre of the South American continent, with a territory of 1,098,581 square metres and a population of approximately 7 million people. Bolivia's economy has always been dependent on the mining industry, and this dependence has translated into an economy that prospers or collapses with the fluctuations of market prices. Economic instability is caused by Bolivia's dependence on the export of raw materials, landlocked status, isolation and mountainous terrain. For the last 12 years Bolivia has had encouraging macroeconomic indicators, although acute poverty still persists. The country is now in the middle of a serious economic and social crisis which will have unpredictable results given the general economic downturn in all the South American economies. Bolivia's economic growth rate declined from 4 per cent in 1996 to 2 per cent in 2000.

2. International conventions governing transit trade

12. In October 1904, Chile and Bolivia signed a Treaty of Peace, Friendship and Commerce. This treaty gave Chile permanent possession of the Bolivian littoral. In exchange the treaty required Chile to build a railway from Arica to La Paz and grant it to Bolivia in perpetuity, giving it "the fullest and most unrestricted rights to commercial transit through Chilean territory and the ports of the Pacific". Furthermore, the treaty granted Bolivia the right to maintain customs agencies in Arica, Antofagasta and other ports as might be agreed on later. Under the Commercial Traffic Convention of 1912 Bolivia's free transit rights were further specified, traffic was regulated and more authority was given to Bolivian customs agents in Chilean ports. Bolivia's transit rights were reinforced by the Convention of 16 August 1937, which specifically guaranteed full and free transit for all types of goods. It also stipulated the procedures for reception, dispatch and conveyance, with only minor variations to those that were already in place.

13. The Cartagena Accord or Andean Pact (Bolivia, Colombia, Ecuador, Peru and Venezuela) created a common market of 98 million inhabitants renamed Comunidad Andina de Naciones (CAN). It included market benefits for Bolivia, including its non-traditional exports. These results were achieved after member countries granted exceptional treatment to Bolivia by accepting national customs tariffs of 10 per cent and 5 per cent as external common tariffs, and removing all internal trade barriers. Bolivia has surplus trade with CAN member countries but has a negative trade balance with MERCOSUR member countries.

14. Bolivian trade with MERCOSUR member countries reached $450 million in 1995, and is expected to double as a result of sales of natural gas to Brazil. The MERCOSUR countries make up a market of 220 million inhabitants with a gross product income of $8.35 billion, and such a potential market represents a huge opportunity for Bolivia's economy. The Government should be creating favourable conditions for industrial development in order to maintain and increase exports to MERCOSUR and third countries. MERCOSUR negotiations have not been favourable to Bolivia, resulting in a large trade deficit. Under ALADI, Bolivia has signed bilateral trade agreements with other South American countries, eliminating or reducing tariffs on limited lists of products.

15. Bolivia is also a signatory to the Treaty of the Rio de La Plata Basin. At the Extraordinary in Brasilia Conference held on 22 and 23 April, 1969, Argentina, Bolivia, Brazil, Paraguay and Uruguay agreed to combine efforts to promote the harmonious development and physical integration of the La Plata River Basin and territories under its direct influence. Other agreements which Bolivia has signed include a Free Trade Treaty with Mexico, an Accord on a Free Trade Zone with Peru and the Acuerdo de Complementación Económica (ACE) with Chile. It has also signed a General System of Preferences (GSP), a basis for Andean trade to receive preferential treatment from the United States the European Union and Japan. For instance, the United States allows some Bolivian exports to enter its market at duty-free or reduced rates under GSP schemes. In 1999, Bolivian exports stood at $1.4 billion and imports at $1.85 billion. Bolivia's main trading partners are the European Union, Colombia, Uruguay, Argentina, Peru, Ecuador, Brazil, Japan, Chile and Spain.

16. Bolivia now has the largest natural gas reserves in the region. It is expected that within 10 years 80 per cent of regional trade could be passing through Bolivia's Tax Free Zone, making this country a potential regional centre of energy and trade. As a result of Bolivia's signing the Cartagena Accord, the Rio de La Plata Basin Treaty, ALADI and MERCOSUR and its participation in the technical committees of these institutions, the Government has had to introduce legislation on advanced international norms. Some of the resolutions adopted at the forum of Cono Sur Countries have been introduced into Bolivia's domestic legislation. For instance, the Axle Load Law was drafted in 1997 and approved in 2000. Common rules adopted under the aegis of MERCOSUR, such as rules related to the transport of dangerous goods and multimodal transport, have been adopted in Bolivia.

17. Bolivia's participation in the Latin American Conferences of Ministers of Transport has facilitated the modernization of its transportation procedures and regulations. Bolivia adheres to the important resolutions of this body in the areas of multimodal transport, harmonization of road transport regulations, and rules and regulations relating to commercial air policies, maritime transport, road security, communications and trade facilitation.

18. A comprehensive Transport Code which took two years to elaborate, was submitted to Congress for approval in 2000. This Code, which prescribes norms for the transport

sector and, protection of users of transport services, and sets out regulations to ensure public safety, has not yet been approved.

19. Transporters are among the interest groups that have raised objections, contending that the proposed draft gives too much power to the public sector regulatory body, and that transporters were not consulted by the Government during the preparation of the Code. With the main utilities (railways, telecommunications, airlines) privatized, the role of the public sector regulatory body would be to protect the public from abuse of monopoly power by the new private sector monopolies and to ensure that activities operate efficiently.

20. In efforts to facilitate trade, measures have been taken to simplify and rationalize the tax structure. A single import custom duty tax of 10 per cent (5 per cent for approved capital goods), called the Gravamen Aduanero Consolidado (GAC), was established and all existing departmental and municipal taxes, fines, charges, benefits for unions etc. were abolished and all restrictive measures and the consular visa were eliminated. The Government hired two international inspection companies – the SGS and Inspectorate – for Customs Inspection.

21. Under a reform process which began in 1989, all the custom agency's warehouses and border posts were privatized. The results of this privatization are mixed. The services provided are more efficient, the existing custom offices have been refurbished and new facilities were built at the borders. However, one of the warehouses in Cochabamba has had serious problems with fraud and the owners and operators are now being prosecuted.

22. Other positive developments include the introduction of ASYCUDA++ (an automated computer program developed by UNCTAD) the creation of the technical Unit of Inspection (UTISA) and the creation of a customs police (COA).

23. One of the main tasks of the customs authority is to fight corruption and smuggling. Research by the National Chamber of Commerce estimates that during the past 10 years smugglers have managed to illegally import an estimated $6 billion of foreign goods. The new customs law makes smuggling a criminal offence, with imprisonment as the penalty. When customs officers are caught red-handed they face the legal system, but unfortunately enforcement is weak and many offenders.

24. In 1969 Law 7230 was passed creating the Administración Autonoma de Almacenes Aduaneros (AADAA), a State-owned institution with economic autonomy. AADAA's original task as a customs warehouse administrator within Bolivia was to receive, store, protect and deliver all imported and exported goods, and to cooperate with Bolivian Customs in the classification, inspection and clearance of imports and exports. Supreme Decrees 8866 and 8968 passed on 28 July and 27 October 1969, respectively, expanded the role of AADAA to administer transit at the foreign ports of transit. In 1975 AADAA's role was once again expanded, by an agreement between Bolivia and Chile. This agreement implemented the Integrated Transit System (ITS) in the port of Arica in August 1975, and

Antofagasta in April 1978. It was regarded as the most successful attempt to rationalize and streamline procedures in the ports of transit. The ITS is basically a set of carefully devised procedures for handling the documentation associated with the unloading, temporary storage, reloading and dispatching of goods in transit to and from Bolivia, and for managing these operations in a systematic fashion without the intervention of a private customs agent.

25. AADAA cleared consignments with Chilean Customs, paid port and rail charges, and invoiced the consignee for these charges as well as its own services. These arrangements facilitated cargo clearance for Bolivia. However, AADAA had several internal and external problems despite its auspicious beginning. These problems were mainly due to party politics, notably the appointments to key positions based on political considerations rather than merit which negatively affected the AADAA's efficient operation. Port charges were inflated to an average of $20 per ton. The ITS operational and documentary procedures were distorted and neglected, failing to satisfy the expectations of all parties involved in the system.

26. On 12 December 1996 a new institution was created by Supreme Decree 24434 to replace the AADAA. The Administration of Bolivian Port Services (ASP-B) is a public, non-profit, decentralized entity, with autonomy in technical, financial and administrative matters. It is under the control of the Ministry of Economic Development. It has legal standing and its own assets. There was hope that ASP-B would perform better than AADAA, but most of the users are not happy with the customer fees and delays. Many importers seek special exemptions to bypass ASP-B or devert cargo to other ports where ASP-B has no powers. Arica's port authorities are also complaining, saying that ASP-B practices have rendered the Chilean port uncompetitive. With the institutional changes taking place in Chile and Bolivia a revision of the ITS is deemed necessary and the existence of ASP-B is no longer essential for the transit of imports and exports.

27. Before 1995, the provision of transport services was dominated by the government agencies or the Regional Development Corporation (RDC). Following decentralization, these functions have been entrusted to the Prefectures (regional Governments). The institution which was responsible for building and maintaining roads, Servicio Nacional de Caminos (SNC), was also decentralized, with all its functions, assets and obligations transferred to regional Governments. This has proved to be a major mistake, because regional Governments lack sufficient funds and the ability to coordinate projects, which has resulted in a poor record of road maintenance throughout the country.

3. National transit and transport regulations

28. The programme of legislative reform under the Ministry of Economic Development has approved the following national laws and norms:

- Supreme Decree No. 1185: Bolivian Aeronautical Code;

- Supreme Decree No. 25134: national system of roads composed of national, departmental and municipal networks; determines the hierarchical structure of the National Roads Service;
- General Law of Transport Public Work Concessions;
- Axle Load Law No. 1769;
- Supreme Decree No 12683: policies for river, lake and sea navigation;
- Supreme Decree No 25253: Regulations relating to concessions of Public Assets;
- Telecommunications Law No. 1632 (5 July 1995) and Supreme Decrees Nos. 24132 (27 September 1995) and 24778 (31 July 1997) regulating the telecommunications law;
- Ministry Ruling No. 119 (13 July 1999), approving the rules for direct satellite services;
- Ministry Ruling No. 57 (16 April 1998), approving the rules for Mobile satellite services;
- Supreme Ruling No. 218762 (19 May 1999), approving the introduction of personal communications services;
- Ministry Ruling No. 46 (26 March 1998), approving the technical rules and norms for the operation and functioning of radio broadcasts in bands from 88 to 108 MHZ;
- Supreme Ruling No. 218738 (22 April 1999), approving the regulations for courier, parcels and messenger services;
- Ministry Ruling No. 126 (13 August 1999), approving the rules for amateur radio.

29. As a party to the Cartagena Accord and the International Agreement on Land Transport of the Latin American Southern Cone, Bolivia has introduced the norms agreed upon in those documents for all international transport.

(a) Customs regulations

30. Customs role during a clearance operation starts with the shipment of goods from their country of origin. These goods must be accompanied by appropriate transport documents: Manifiesto Internacional de Carga/Declaración de Tránsito Aduanero (MIC/DTA–Cono Sur), Manifiesto de Carga Internacional/Declaración de Transito Aduanero Internacional (MCI/DTAI–Comunidad Andina de Naciones), Transporte Internacional Ferroviario/Declaración de Tránsito Aduanero (TIF/DTA) or documents pertaining to the transport mode (air, sea or lake), Bill of Lading (B/L), Airway Bill or Manifiesto Internacional de Carga/ Declaración de Transito Aduanero (MIC/DTA).

31. The following documents are being used at present:

(a) Form listing the documents;
(b) Commercial invoice or equivalent;
(c) Transport documents (air way bill, bill of lading, consignment note, original or copy);

(d) Report of reception, original;
(e) Certificate of previous inspection or custom declaration of value issued by the original importer;
(f) Certificate of insurance, copy;
(g) Invoice of port charges, original;
(h) Invoice of transport issued by the transport operator signing the transport manifest, copy;
(i) Packing list, original or copy;
(j) Certificate of origin, original;
(k) Certificate of previous licence, original;
(l) Other documents pertaining to the claimed regime.

Documents from (f) to (l) are required for the importation of prescribed products.

32. Documents for submission to customs are prepared and signed by a licensed clearing and forwarding agent and by customs. Customs declaration forms must contain the following minimum information: (i) goods identification and origin; (ii) custom value and tariff classification based on the commodity description and coding system generally referred to as the Harmonised System; (iii) consignor and consignee identification; (iv) custom regimen claimed; (v) calculation of duties (when such calculation applies); and (vi) signature under oath confirming the accuracy of the declaration.

33. The law allows for printed commercial invoice print-outs via fax, or authorized electronic invoices sent by a bank or commercial intermediary. Documentation should be duly authorized by the superintendent of banks, financial institutions or the consignee with the signature and stamp of the institution or the signature of the consignee. Additionally, the importer must present, through his agent, a sworn declaration of value. He may also present a form known as the Declaración Andina del Valor. This form was adopted by the Andean Community (Decision 379) and makes the importer responsible for the information given. The consignee is allowed, through his agent or the officers of the insurance company, to inspect the goods before they are delivered. This can be done to determine the nature, origin, condition, quantity and quality of the goods. The inspection must take place on custom premises or in one of their legally authorized warehouses.

34. All goods under customs control are subject to random physical inspection. On the basis of computerized systems, Customs determines the percentage of goods to be inspected. They have the right to inspect up to 20 per cent of the declarations presented in a month. When physical inspection is determined to be necessary, the decision to inspect goods is taken and Customs duties must be paid in advance. If a false declaration is discovered, Customs retains the goods and starts a prosecution. Bolivia's Customs Offices are in the process of implementing an Automated Customs Package known as ASYCUDA. This project, which was approved last year, benefits from UNCTAD's technical assistance. A team of technicians and Customs experts has made the necessary adaptations and an export module is already in trial use in La Paz Airport's Customs Office. The use of

ASYCUDA will end the Customs officer's discretionary power and personal contact with Customs clerks.

35. The Customs Import Tariff is a flat 10 per cent of the Cost, Insurance and freight (CIF) value. The tariff for capital goods (plants with a turn-key contract) was recently reduced from 5 per cent to 0 per cent, provided that they are not produced in the region of the Andean Pact; some new items were included and for these the tariff was reduced from 10 per cent to 5 per cent. However, this tariff is deceptive, as there is also an array of additional domestic taxes and Customs fees that are charged on imports. Customs warehouses charge a 0.5 per cent fee based on the CIF border value. If the imported product remains in the warehouse between 30 and 90 days, an additional 2 per cent fee is charged on the CIF border value. Private Customs warehouses at the El Alto (which serves La Paz), Cochabamba and Santa Cruz airports allow only a five-day grace period. They base their rates on weight rather than value. These charges are erratic because labour cost, the number of packages etc. is taken into consideration when setting fees.

36. A 14.94 per cent value added tax (TVA) (which can increase to 17 per cent) is calculated on the basis of the value of the goods. Additional fees include the Customs import tariff, the inspection fees and the clearing agent's fee. Value added tax payments could be offset, upon resale, against the importer's value added tax liability. The 0.5 per cent to 2 per cent fee based on the CIF value is known as the Customs clearing agents. Supreme Decree 21060 allows for the negotiation of price and service fees. In addition, Customs clearing agents charge 17.65 per cent over the value of their bill to cover their TVA tax liability. A 0.03 per cent or 0.04 per cent fee based on the CIF value is charged for the Chambers of Commerce, industry, and construction (whichever applies). This is a fee paid to the intervention officers who are appointed by these institutions to oversee the correct application of port and Customs procedures.

37. Export procedures are also under the control of Customs. These procedures apply to all goods which are intended to leave the national territory permanently. Exporters of goods do not pay duties except in those cases established by law. In fact, Bolivia guarantees the free exportat of goods. Exceptions are made for those goods which are expressly prohibited, goods affecting public health, State security or goods that have an archaeological value. A certificate, goods invoice and packing must be presented, with a Declaration Form (Póliza) from the Customs clearance agent, to SIVEX (Sistema de Ventanilla Unica del Exportador or Exporters Single Window System). Under SIVEX after the export has been authorized the goods that are presented to the Customs departure office. If the goods are to be transported by air they can be inspected and authorized for embarkation. If the consignment is to be transported by land the goods are subject to the International Customs Transit Regime at the departure office. The goods being exported must have a MIC/DTA and the requisite commercial transportation documents.

38. When all verifications have been completed the MIC/DTA is endorsed, stamped and sealed by the Customs departure office. This document is registered and then returned to the declaring party, which has to ensure that, in the different stages of the transit operation,

it is presented for Custom controls. The Customs departure office authorities also retain a copy of the document and issue a certificate of departure. In the case of exports to a third country, the Customs transit procedure is concluded with the effective exit from the national territory, which must be certified by the National Customs. The law grants exporters total or partial refund of the duties paid for goods used in the manufacture of export goods. This procedure based on international trade agreements.

(b) Free zones and port storage facilities

39. In 1990 Bolivia authorized the operation of free trade zones called Zonas Francas as an important instrument to encourage trade. The goods entering a free zone are subjected to segregation and strict fiscal control under the authority of a Customs officer. Private warehousing has grown rapidly in the last two years. Concessions for Industrial Free Zones have been granted in El Alto, Cochabamba, Oruro, Santa Cruz and Puerto Aguirre. These are areas where imported goods can enter duty-free, be transformed or completed and then re-exported. The Commercial Free Zones are generally authorized to operate in airports or border towns such as El Alto, Desaguadero (the border with Peru), Puerto Aguirre and San Matías (Department of Santa Cruz). A description of the main Industrial Free Zones follows.

40. La Paz Commercial Zona Franca is located 17 kilometres away on the La Paz – Oruro highway. It covers an average of 110,000 square metres. Support services include: Customs offices, clearing agents, banks, transportation and insurance agencies, communication services, post office, cafeteria, exposition goods for sale and administration offices. The duty-free storage area has a surface area of 4,840 square metres and a storage capacity of 24,200 square metres.

41. The Santa Cruz Commercial and Industrial Zona Franca have a surface area of 426,478 square meters. It is 7 kilometres from the international airport and 21 kilometres. from the centre of Santa Cruz on the Santa Cruz Montero highway. It has similar facilities for the public and a storage capacity of 15,000 cubic metres. It also offers individual storage modules of 1,000 square metres for authorised users. The Commercial and Industrial Zona Franca of Cochabamba is located 4 kilometres from the International Airport. It is an industrial park of 50 hectares and a duty-free zone of 40 hectares.

42. The Puerto Aguirre Commercial and Industrial Zona Franca is located on the Bolivian/Brazilian border in the towns of Puerto Suárez, Puerto Quijarro (Bolivia) and Corumbá (Brazil) along the banks of the Tamengo River. In its 120 hectares of facilities there is space to carry out all the activities of a Commercial and Industrial Duty Free Zone. There are covered warehouses with an area of 9,250 square metres for general goods and the storage of bulk cargo. The administrative offices have facilities to attend to users needs as well modules that are allocated to authorized users to display and sell their goods.

(c) Training programmes for freight forwarding and clearing agents in Bolivia

43. These performances have been neglected in Bolivia. Since 1999 some private institutions have begun to offer basic and theoretical courses. Private universities such as UPSA in Santa Cruz, Nuestra Señora de La Paz in La Paz and the Universidad Privada Boliviana in Cochabamba offer a five-year international trade programme. Others such as IDEA (Instituto para el Desarrollo de Empresarios) have Customs administration courses at a Superior Technician level. Meanwhile most of the people employed as clearing agents or Customs brokers are former Customs officers or experienced clerks. Most of the forwarding agencies employ former officers of the AADAA or ASP-B.

B. Sectoral issues

1. Railways

44. During the Spanish Conquest, the transportation of minerals from the silver mines to the Pacific coastal ports was an arduous process. A large number of beasts of burden were used, mostly llamas, which carried less than 25 kilos each over the ancient Inca paths. After independence this mode of transportation was replaced by the railway, which started with the construction of the Antofagasta-Uyuni-Pulacayo section (1877-1889) This was followed by railway lines to Oruro (1892). In 1903, the Guaqui-La Paz section, running to Mollendo, Peru, through Lake Titicaca, was opened; the railway later reached Viacha (1913) and La Paz (1917). The Arica-La Paz railway was inaugurated in 1913. This railway was built, under the 1904 Peace and Friendship treaty signed between Bolivia and Chile, to compensate Bolivia for the loss of access to the Pacific Ocean. In 1913 the Uyuni-Atocha section was built and in 1925 the Villazon-Atocha line was completed.

45. During a decade of consecutive nationalist Governments the Bolivian Railways Network was in the hands of various foreign enterprises. In 1964 the Empresa Nacional de Ferrocarriles (ENFE) was formed to manage the installations of the Antofagasta (Chile) & Bolivia Railway Co. Limited, the Bolivia Railway Company and the Peruvian Corporation. In 1965, ENFE had 1,380 freight cars in inventory, of which 828 were available for service; most of these were wooden cars with low freight capacity and no ball bearings. In 1968 two loans from the International Development Agency (IDA) and the International Bank for Reconstruction and Development (IBRD) financed the purchase of 820 cars and 25 ballast cars.

46. In 1967, ENFE took control of the newly opened eastern branch lines between Santa Cruz and Quijarro. The railway sections of the eastern network were built, linking the city of Santa Cruz to the Atlantic ports of Santos in Brazil and Rosario, Buenos Aires in Argentina. In 1973 the Guaqui-to-La Paz line was transferred to ENFE with the provision that it rehabilitate the Guaqui-Viacha route, including the supply of 2 locomotives and 20 cars, and construct a dock and a gauge conversion plant. However, to date, these conditions have not been fulfilled. In 1987 ENFE took control of the line between Uncia and Machacamarca, which was previously owned by COMIBOL, the State mining enterprise.

47. From 1980 to 1985 ENFE undertook and completed the renovation of the rolling stock, the haulage equipment and the retooling of maintenance shops. Unfortunately, the programme overlooked the maintenance of rail lines and incurred an enormous debt. During the several years prior to capitalization ENFE operations ran at a loss and its debt reached $70 million. In 1987 the Government took over ENFE's debt and at the same time decreed a 60 per cent subsidy for soya and minerals, and 30 per cent for wheat. The objective of this was to make the exports of these products competitive while avoiding a rise in the price of bread.

48. In 1990, following recommendations made by the World Bank's "Program of Agreements", ENFE's executives began setting efficiency goals and rewarding the attainment of agreed targets with tax discounts. Labour restructuring resulted in a reduction of the work force from 7,200 to 3,900. Using the new loans of up to $80 millions, a track rehabilitation programme was put in place. A total of 100 multi-use boxcars, spare parts and equipment were purchased, locomotives were overhauled and line inspection vehicles were procured. Additionally, 130 common cars were adapted for multi-use purposes. These acquisitions tripled freight capacity to 23,184 tons in 1965 and to 66,053 tons in 1994. The new debt was repaid on time by the Central Bank using revenue earnings generated by the railway.

49. Between 1993 and 1994, the volume of rail traffic between Bolivia and Brazil greatly increased. In 1993 a total volume of 633,283 tons was transported; in 1994, 768,692 tons were transported; and in 1995, 976,556 tons were transported. The cause of this expansion was mainly the transport of soya. An estimated 700,000 tons of soya was produced in 1995, of which 300,000 tons were transported to Puerto Aguirre. The ENFE administration was unable to meet this higher demand because of its lack of hauling capacity. To solve this problem, the Government negotiated with Brazilian Railways the running of Brazilian equipment block trains between Santa Cruz and Quijarro. This operation started on 11 May 1995.

50. In March 1996 ENFE was transferred to two foreign groups. One was the Chilean Cruz Blanca group, which is the main shareholder of Pacific Railways and associated with the Antofagasta Bolivia Railways Co. and the Lucsik Group, which won control of the western branch (Ferrocarril Andino (S.A.M) – 2,274 kilometres) with a bid of $13.2 million, and the eastern branch for $25.8 million (1,424 kilometres). Cruz Blanca holds a 25 per cent share in the western branch and a 75 per cent share in the eastern branch, which now operates under the commercial name of Ferrocarril Oriental S.A.M. The concessionaire currently operates the following sections: Santa Cruz-Arroyo Concepción (border with Brazil); Santa Cruz-Pocitos (border with Argentina), and Santa Cruz-Montero. Ferrocarril Andino S.A.M. runs the following sections Viacha-Charaña (Border with Chile); Viacha-Oruro-Río Mulato-Uyuni-Villazón (border with Argentina); Uyuni-Ollague (border with Chile); Viacha-Guaqui; and the Río Mulato-Potosí.

51. The railway concessions are for 40 years. The concessionaire has spent the major part of its $25.8 million investment in the rehabilitation of the eastern branch. The

infrastructure is being rehabilitated to international standards, emphasizing on train safety. Now trains travel at an average of 25 kilometres per hour. FCO (S.A.M) has installed an automated information system that allows traffic to be monitored from the central office in Santa Cruz. Since radio communications are indispensable for this purpose, they have had to replace the outdated repeaters along the line. Investment in equipment consisted of refurbishing and transforming the existing wagons and acquiring new flats and tankers. Recently, they purchased six locomotives (Diesel Electric General Motors GR12); these units will soon join the existing fleet, which consists of eight Gm U20, nine U10c and five Hitachis. Renovated safety equipment has allowed FCO (S.A.M.) multiple traction trains which typically run eight or nine times a day.

52. The cargo consists of 50 to 55 per cent soya and by-products (from Santa Cruz to Quijarro), 10 per cent wheat (from Argentina to Santa Cruz) and 10 per cent fuel (from Argentina). The remaining 25 per cent is cement (from Quijarro to Santa Cruz), diesel (from Port Aguirre to Santa Cruz) and general cargo and containers being shipped to and from the port. Container traffic is not yet significant owing to the lack of forwarders consolidating cargo for Bolivia in the Atlantic ports. FCO (S.A.M.) cannot cope with the demand during the peak of the soya season, and this poses serious problems for soya producers. The price of soya goes up during winter in the Northern hemisphere, precisely when the crops are ready in South America. The trick is how to reach the ports during the period of high prices, but unfortunately much of the crop remains in Bolivia, only reaching the ports when prices are falling.

53. Producers installed mills to process soya pellets and oils, which they can export throughout the year. There are two plants in Santa Cruz, one in Warnes and one in Quijarro. This is advantageous for the railway because it then has cargo for the rest of the year. Soya producers are disgruntled, although the railway officials claim that they are only partially to blame. They say that the port lacks the necessary installations to cope with the soya and the barges only have a capacity of 6,000 tons per week. Soya exported through Brazil experiences delays at the border. Schedules at the Customs and railways offices on the Brazilian side are not harmonized. Bolivian wagons are often delayed over the weekend for up to five or six days.

54. In November 2000 Cruz Blanca sold part of its shares in FCO (S.A.M.) to Genesee & Wyoming, railway operators from Canada. This is good news for Bolivian users as the company has experience in organizing efficient rail service. The Cruz Blanca and Lucsik Group (the western railroad branch) have taken a pragmatic approach to running their business. They are only investing in, and maintaining and running, the productive links of the railway. They transport minerals and other exports from the Andean region to the Pacific ports, giving preference to the port of Antofagasta.

55. The Bolivian national rail network is connected to the rail systems of neighbouring countries. These connections reach the following ports: Matarani in Peru, Arica and Antofagasta in Chile, Rosario and Buenos Aires in Argentina, Sao Paulo-Santos in Brazil, Port Aguirre in Quijarro (Bolivia) and Corumba on the border with Bolivia.

56. These connections potentially provide a guarantee for Bolivia's foreign trade. Unfortunately, there are other events affecting the neighbouring countries, railways that have temporarily disrupted normal cargo exchange. During the 1990s, the Peruvian railway ENAFER lost almost all its freight volume owing to various factors. Between 1990 and 1992 competition from road transport caused the volume of freight to fall by 50 per cent in Peru.

57. Railways in Bolivia are using the "Baremo" Table to find freights according to product, tonnage, distance carried and other rules. The freights obtained in 1996 are still a good reference, although the railways negotiate with large exporters freights for their products seasonally; for instance, the freight for milled soya from Santa Cruz to Quijarro varied over four years from $24.90 per ton to $26, then $29 and is now back at $24.90. The following are reference international railway freights from Bolivian towns to the borders connecting with transit ports.

FERROCARRIL ANDINO (S.A.M.)

Santa Cruz-Quijarro, 647 kilometres.

Product	"Baremo"	Minimum metric tonne (tm)	US$ x tonn.
Cotton	506	25	46.64
Rice	501	40	38.55
Sugar	503	40	40.17
Wood boards	501	40	38.55
Laminated	502	40	39.24
Parquet	502	35	39.24
Ulexita	501	35	38.55

Huaracachi-Yacuiba, 547 kilometres.

Product	"Baremo"	Minimum metric tonne	US$ / tm
Cotton	506	25	40.87
Rice	501	40	33.89
Sugar	503	40	35.29
Wood Boards	501	40	33.89
Laminated	502	40	34.50
Parquet	502	35	34.50
Ulexita	501	35	33.89

2. Road transport

58. Bolivia has the poorest road network in Latin America. Of the 53,153 kilometres of roads, only 5 per cent are paved. There are many reasons for this – low population density, a depressed economy, difficult topography, etc. – but the principal reason is bad management and administration of the system. The main highway passes through the three major cities of Bolivia – La Paz-Cochabamba and Santa Cruz – and moves 70 per cent of

the economic activity of the country. From 1987 to 1997 the Government made an extraordinary effort to improve the transport sector, earmarking on average 30 per cent of the public investment budget annually to this sector, with 83 per cent of funds being allocated to roads. However, the Government used the funds for new construction of roads, neglecting the maintenance of roads already in existence.

59. Construction resulted in a 40 per cent increase in the inventory of paved roads. Unfortunately, owing to the deterioration of the network, that inventory was at its 1987 level again by 1992. Weaknesses in the organization and management of the Servicio Nacional de Caminos and the Ministry of Transport were blamed for this. In 1998, in view of this situation, the Ministry of Economic Development changed track and committed itself to financing new roads as well as providing funds for routine maintenance. The goal was to upgrade the state of the roads, guaranteeing year-round transit, which is especially critical during the rainy season.

60. The Bolivian road network plan seeks to construct "Export and Integration Corridors" which would link up the country and open up new areas of production. Progress in both construction of new roads and maintenance of the existing assets has been slow. Furthermore, natural disasters have taken their toll on the Bolivian road system. Heavy rains from October 2000 to February 2001 washed away hundreds of kilometres of roads. In April and September 2000 social upheaval and road blockades destroyed several sections of road.

Road transport services

61. The National Chamber of Transport has 45 members which conduct international transport services: 24 in La Paz, 15 in Santa Cruz and 6 in Cochabamba. The road transportation service sector also has two "micro-enterprise" groups which own their own vehicles. Some are unionized and the rest are considered "free transport". These two groups emerged after approval of Supreme Decree 21060, which established freedom of trade and abolished union monopolies.

62. There are approximately 80 transportation unions, apart from the urban transport unions, and these include long-distance as well as national and international transport services. These unions are grouped together in national federations. The transportation unions' negotiating power has weakened since the passage of Supreme Decree 21060. Freedom of trade, divisions among unionists, the emergence of private companies etc. have made it difficult to call strikes. These divisions have protected the government from transportation conflicts, the pressure to raise freight rates, and so forth. However, when the Government recently raised petrol prices and approved the implementation of compulsory third party insurance, the transportation sector reacted. In addition, the bad condition of the roads has served to unite and empower the transportation sector. Successful national strikes gave that sector, for first time, the possibility of imposing conditions on the Government.

63. As a result of this pressure, the price of petrol has been frozen for now and the deadline for the implementation of the third party insurance scheme has been postponed. Penalties for violation of Customs and transit regulations have been suspended or such violation received lenient treatment.

International Road Freight

FROM	TO	US$ X Ton
Cochabba	Matarani (Peru)	80
Matarani	Cochabamba	90
Cochabamba	Arica (Chile)	50
Arica	Cochabamba	100
Cochabamba	Puno (Peru)	50
Cocbba	Desaguadero (Peru)	35
La Paz	Matarani (Peru)	50
Matarani	La Paz	70
La Paz	Arica (Chile)	40
Arica	La Paz	80
La Paz	Puno (Peru)	22
La Paz	Desaguadero (Peru)	10
Santa Cruz	Matarani (Peru)	120
Matarani	Santa Cruz	115
Santa Cruz	Arica (Chile)	140
Santa Cruz	Puno (Peru)	90
Santa Cruz	Desaguadero (Peru)	70
Oruro	Matarani (Peru)	60
Matarani	Oruro	80
Oruro	Arica (Chile)	40
Arica	Oruro	70

Source: Transport Chamber of Cochabamba

64. The cost of road transport in Bolivia is high compared with other countries. This is primarily due to cargo imbalance and poor road infrastructure. Delays at international border crossings and in loading and unloading are also important factors. The rates in the table above are negotiable. Negotiations are affected by the general state of the economy and freight market competition. In Arica the transport operators appoint representatives who assist in the preparation of the documentation and the MIC/DTA necessary for each truck. These representatives charge a fee of $50 for their assistance. Every driver going abroad has to carry a third-party extraterritorial insurance policy recognized by the Government of the port of entry. In Bolivia there are three insurance companies which have correspondents in Chile, Peru and the MERCOSUR member countries. They provide an extraterritorial policy to their insured clients for an extra $150 annual prime.

(a) Registration and axle load regulations

65. As a result of institutional modernisation and the adaptation of Bolivian regulations to international standards, international transport is now subject to stricter regulations. The following are the requirements under Article 71 of the General Customs Law for registering at Customs; international transporters register at Bolivian Customs on the basis of these requirements:

(a) A Transport Operator Authorization, which is granted by the Ministry of Transportation, Communications and Civil Aeronautics. Transporters by air, river or lake can obtain an authorization from their respective commercial transport units. To install or transport through pipelines or electrical conductors an authorization is needed from the Ministry of Energy and Hydrocarbons;

(b) Foreign transit companies need a Registro Unico de Contribuyentes (RUC), which is a certificate of contribution to the general tax fund or a copy of the certificate of identity issued by the competent authority;

(c) The names and signatures of accredited representatives for the subscription of documents regarding international transport of goods;

(d) Bolivian international road transit companies need a certificate from the Ministry of Transportation, Communications and Civil Aeronautics certifying that the company has a carrying capacity of at least 100 tons;

(e) A mortgage in the transport policy registered in SENAREC in favour of the Customs relating to the means of transport when these are offered as a guarantee in application of the Article 70 of the law, or any substitute guarantee;

(f) A certificate of fiscal solvency, which is issued by the Contraloria General de la Républica, this needed only by transport companies;

(g) Third party insurance certificate (SOAT).

Customs will license Bolivian transporters after the above requirements have been fulfilled.

66. The Axle Load Law, which has been in force since 1977, incorporates international standards for road use. Although the transportation organizations used many pretexts to delay its application, the Government has recently imposed the law as a condition for issuing road licences. Transport vehicles are regulated under Governmental Decree 24327 (28 June 1996), which establishes maximum widths, heights, lengths and weights, as follows:

A. Weights

- Total gross weight vehicles plus freight: 45.00 tons, tolerance 1,400 Kgs.
- Total gross weight for single axle, 2 tyres: 7.00 tons, tolerance 350 Kgs.
- Total gross weight for single axle, 4 tyres: 11.00 tons, tolerance 600 Kgs.
- Total gross weight for double axle, tandem: 18.00 tons, tolerance 900 Kgs.
- Total gross weight for triple axle tandem: 25.00 tons, tolerance 1,200 Kgs.

B. Dimensions

- Maximum width: 2.60 metres
- Maximum height: 4.00 metres
- Length (2 axle towing truck): 11.50 metres
- Length (lorry and trailer): 20.50 metres

These approved weights are the same in all MERCOSUR countries.

3. The role of lake/inland transport in handling transit cargo

67. Lake Titicaca is the highest navigable lake in the world, belonging to both Bolivia and Peru, and is situated in the northern part of a high plateau. Since 1903 there has been a regular import/export cargo service operating between Guaqui and Chaguaya in Bolivia, and Puno in Peru.

68. The most important fluvial transport is takes place on the rivers that make up the Rio de La Plata Basin, which flows through the Paraguay-Paraná Rivers and is called the "Hidrovia" (waterway). The Governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay were all represented at the First Extraordinary Conference of the La Plata River Basin Countries, which was held in Brasilia on 22 and 23 April 1969. At that meeting they agreed to combine efforts to promote the harmonious development and physical integration of the La Plata River Basin. The goal was to promote areas of common interest, undertake studies, carry out agreed programmes, improve installation and infrastructure, and adopt regulations relating to inter alia:

- Assistance and facilitation in navigational matters;
- Rational use of water resources, especially the regulation of water resources for a shared and equitable use;
- Preservation of flora and fauna;
- Interconnection of roads, railways, airways, power services and communication services;
- Regional linking of common industrial settlements to develop the Basin;
- Economic linking of neighbouring areas.

69. The incorporation of the waterway of the Paraguay and Paraná Rivers Programme (Puerto Caceres to Puerto Nueva Palmira) into the La Plata Basin Treaty makes this treaty a fundamental instrument for the development of this crucial waterway. An Intergovernmental Committee of the Waterway (CIH) was created as the result of declarations made following an important series of international meetings.

70. Argentina, Bolivia, Brazil, Paraguay and Uruguay signed the Accord of Fluvial Navigation on the Paraguay-Paraná Rivers on 26 June 1996 in Las Leñas. This accord sets the principles of free navigation, equal treatment, free transit and reciprocity, multilateral treatment of cargo reservations, rules for shipowners, transport and trade facilitation, and port and navigational services. It establishes the procedures for the settlement of disputes,

evaluation and modification, and lays down procedures for complying with them. A set of protocols concerning navigational safety, environment protection, and Customs procedures were concluded subsequently.

71. Environmental damage is a major concern. Dredging and similar measures to regulate the water have been opposed by environmental groups. For Bolivia the "Hidrovia" represents an important outlet to the Atlantic Ocean. Two port facilities have been built by private entrepreneurs along the Tamengo Channel near Quijarro. The region is served by a railway which is mainly used to carry agricultural and mineral exports. The region, which was already rich in iron ores, has enhanced its potential as a result of the construction of the pipeline from Santa Cruz to Santos and the commissioning of a thermal electricity plant project.

72. Plans to extend a road through a marshy terrain to Puerto Bush would bring the zone to year-round port operations.

The following are the statistics of "Central Aguirre Portuaria S.A.", as it is now known internationally:

Central Aguirre S.A. statistics										
Activity	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Imports Handled (tons)	62408	36672	36176	56878	6834	9639	18011	56205	44024	36804
Exports (x1000 Tons)	10.153	82.882	120.96	125.42	197.61	219.89	156.48	239.07	287.30	300.10
Port movements (million US$)	32	25.27	31.95	35.77	45.28	48.59	35.46	59.99	68.07	78.11
Commercial Value (million US$)	33.1	28.4	41.6	49.3	64.6	75.6	67.3	81.1	80.2	91.4
Movements of merchandise (tthousand US$)	1319	3079	9623	13521	19356	26962	31823	21093	11799	13363
Truck & wagons (units)	4143	2933	3740	4187	6624	5370	3936	6915	8113	8870
Barges serviced (units)	156	126	154	209	161	196	144	239	282	317

73. The port facility inaugurated in 1989 was a simple floating wharf. It is now being developed into a full-fledged river port thanks to skilful negotiations with the World Bank. Partnerships with Cargill and Williams S.A. have contributed know-how in the handling of bulk cargo and the handling and storage of petroleum. The port of Central Aguirre S.A. has facilities to provide the following services: handling to warehouse or to retail in the free zone; trans-shipment to third countries; transference among users; importation of goods into Bolivia; re-shipment, etc.

4. Air transport

74. The domestic air transport systems in Bolivia consist of more than 600 airports and airstrips. Only 33 of these are controlled by the Administration of Airports and Auxiliary Services (AASANA) and only three meet international airport standards. The national carrier, Lloyd Aereo Boliviano (LAB), operates the main passenger and cargo air service. In 1991 its net operating profit was $2.6 million. In 1992 it had suffered a net operating loss of $11.7 million and in 1993 the net loss worsened to $12.5 million. The poor result was attributed to the loss of market share relating to both domestic flights and the Miami route. LAB began a turnaround in 1994, with a reduction of net operating losses to $3.6 millions.

75. But with liberalization LAB faced tough competition from Aero Sur, a private airline company which has since taken a large share of the domestic market. The other main source of LAB's revenues, the Miami route, similarly faced stiff competition from American Airlines. On the other hand, LAB enjoys some advantages, including convenient flight schedules (night flights to and from Miami).

76. Before privatization LAB operated a fleet of nine aircraft: one Fokker F27 built in 1959; three Boeing 727-100 (mid-range) built in 1963, 1968 and 1969; three Boeing 727-200 (mid-range), one built in 1975 and two in 1978; one Cargo Boeing 707 C (long-range) built in 1978: and 1 Airbus A310 (long-range) built in 1995. LAB was the first Bolivian State-owned company to be privatised, capitalized in late 1995 through a public international bidding process. The Brazilian airline Vicao Aerea Sao Paulo (VASP) won control of it.

77. There are two airline companies – Aero Sur and TAM – competing in the domestic market. Aero Sur was founded in 1992 and is a joint-stock company owned by Bolivian and international investors. They serve four destinations not serviced by LAB as well providing service to other cities. This puts them in direct competition with LAB by servicing all the major destinations in Bolivia. (recently, Aero Sur had financial problems due to the economic crisis and intense competition.) Since privatisation, the LAB management has had to struggle with the employees'union, which fought a protracted war against VASP taking advantage of every problem to blame the new management. After four profitable years, the competition from American Airlines and the problems faced by VASP have resulted in losses and the danger of bankruptcy for LAB.

5. Pipelines

78. The Bolivian oil pipeline transport system was operated by Yacimientos Petrolíferos Fiscales Bolivianos (YPFB). Until 1997 it consisted of a network of approximately 3,800 kilometres of pipeline for the transport of raw and refined petroleum. There were also 900 kilometres of natural gas pipeline with connections to the port of Arica for petroleum and to Argentina for the exportation of petroleum and gas.

79. The privatization of YPFB, Bolivia's state oil and gas company, provided an impetus to the entry of many private companies specializing in the exploitation of petroleum and

natural gas. The Bolivian transportation sector, which consists of 2,500 kilometres of liquid oil pipelines, was transferred to Transredes S.A. In May 1997, with the financial assistance of Petrobras, (Brazil), Enron (United States) and other partners, Transredes initiated one of the largest joint gas projects ever undertaken in South America. A pipeline capable of carrying 30 million cubic metres per day is transporting natural gas from Santa Cruz (Bolivia) to Porto Alegre (Brazil).

80. At an approximate cost of $2 billion, this 3,000-kilometre pipeline began commercial operation in April 2,000. As a result of new gas finds, negotiations are under way to build a second, parallel pipeline.

6. Communications

81. ENTEL, the Bolivian telecommunications company, was capitalized in 1996 by Stet, an Italian communications consortium, which pledged to invest $600 million in the system by the year 2000. The expansion plan included the extension of a fibre optic link with Brazil to allow world communications through the submarine cable Atlantis 2, and a link with Chile and with the Pan-American Submarine Cable to enable Bolivia to become a communication node for the Latin American Southern Cone. ENTEL investment plans envisaged a nationwide cellular telephone network, the installation of 2,200 public telephones in rural areas and other projects, including training for its employees. By 2001 ENTEL had installed more than 3,200 kilometres of fibre optic for an investment of $50 million. In July 2000 the communication systems of the main towns–La Paz, Cochabamba and Santa Cruz- were linked via fibre optics. The microwave systems, which had interference and congestion problems, have been phased out because the installation and maintenance cost of fibre optics is much more competitive.

82. By the end of this year, the links between Potosí-Tarija and Santa Cruz-Yacuiba will be ready at a cost of $60 million. The ENTEL network also links with Peru and Chile. When the link with Tarija is finished this southern town will be connected to Pocitos in Argentina. The connection with Brazil will also be completed, thereby making Bolivia the first country in South America to have all its main towns connected via fibre optics. ENTEL has secured a monopoly in external communication until 2002. However, business relations with the cooperatives administering domestic communications in the main population centres are not always smooth and ENTEL faces strong competition from the two cellular phone companies.

83. ENTEL, Telecel-Millicom and Western Wireless International-Comteco have all invested heavily in equipment and have the right to exploit the Personal Communications System (PCS), a modern system of communications with national coverage. Bolivia has four bands available in the electromagnetic spectre.

84. The ENTEL domestic dedicated line allows services such as Internet connections, store and forward for fax services, data transmission networks, the digital network of integrated services, video conference, IBS teleport, fibre optic access, tele-medicine and

tele-education. Competition has been good for users, since it has resulted in a slight drop in communication tariffs. The user now has many options in terms of communications, the Internet and cable services.

II. OVERVIEW OF THE RECENT DEVELOPMENTS IN TRANSIT TRANSPORT FACILITIES AND SERVICES IN PARAGUAY

A. Basic transit transport issues

1. Overall economic situation

85. Paraguay is located in the centre of South America, between Argentina and Brazil. It has a territory covering 406,652 square kilometres, a population of approximately 5 million and a growth rate of 2.8 per cent. Argentina, Bolivia and Brazil border Paraguay. The Paraguay River splits the territory into two distinct regions. The eastern region, where the major part of the population lives, is made up of undulating flatlands surrounded by the cordilleras of Amambay, Mbaracayu and Caaguazu from which descend the Sierra de Las Quince Puntas and the cordilleras of Altos and Ibytyruzu/Villarica. The western region is made up of marshy plains near the river and dry forest elsewhere. The climate of the grassy plains and wooded hills east of the Paraguay River is temperate. The Grand Chaco, which makes up 60 per cent of Paraguayan territory while supporting only 7 per cent of the population, has an arid climate.

86. Paraguay's natural resources are: hydropower, timber, iron ore, manganese and limestone in the western part of the country. A total of 20 per cent of the arable fertile land has meadows, pastures, lakes, forests and woodlands. The region prospers with cattle and the cultivation of cotton, soya, rice, tobacco, sugar cane, yerba maté, timber, vegetable oils, coffee, tung oil, meat products, and a great variety of fruits. This production, including timber, accounts for about 25 per cent of gross national product, employs about 45 per cent of the labour force and provides the bulk of the country's exports. Meat packing, oilseed crushing, milling, brewing, textiles, other light consumer goods, cement and construction industries make up the rest of the economic activity in the country. The Gran Chaco, north of the Pilcomayo River border, is home to a large number of Mennonite immigrants, who have achieved a surprising agricultural success with soya crops that extend throughout both regions of Paraguay.

87. Paraguay is rich in hydropower, generating and exporting electricity. The Itaipu Dam, with 18 generators half belonging to Brazil, has an output of 6,300 MW for Paraguay. The Acaray complex belongs to Paraguay–4 generators with a 200 MW output. Yacireta has 20 generators half belonging to Argentina, with an output of 1,750 MW, although currently with reduced activity the output is 1,000 MW. Paraguay also has six thermal electricity plants with an output of 38.5 kW. In total, Paraguay has 8,250 MW of hydroelectric power. The requirements of the National Interconnected System with its networks–Metropolitan, Central, East, South and North–are 47 KB; and even with a projected consumption of 67 KB the country has a huge surplus for export.

88. Reliant on an agriculture–based economy, Paraguay's economic performance in the last ten years has been erratic, depending on good weather and international commodity

prices. At the end of the 1980s the economy experienced a minor recovery due to improved weather conditions and higher international prices for key agricultural exports.

The results of Paraguay's in the 1990s are as follows:

Years	1991	1992	1993	1994	1995	1996	1997	1998	1999
Imports	1.275.4	1.237.1	1.477.5	2.140.4	2.782.2	2.850.5	3.099.2	2.470.8	1.725.1
Exports	737.1	656.6	725.2	816.8	919.3	1.043.4	1.142.8	1.014.1	740.8

Imports (CIF), in millions of US dollars; Exports (FOB), in millions of US dollars.
Source: MERCOSUR.

2. International conventions governing the development of transit

89. In December 1943 Paraguay and Argentina entered into an agreement to create duty-free zones in the ports of Buenos Aires and Rosario. These zones were centres of reception, storage and distribution of Paraguayan exports, and reception and forwarding of Paraguay imports. For the purposes of Customs control, all goods inside the free zone were considered to be duty-free. In 1944 the Government of Paraguay signed a treaty with Brazil for the establishment of a duty-free zone in the port of concepción. This zone was created for similar purposes.

90. In a bilateral agreement signed with Brazil on 20 January 1956, Paraguay acquired the right to use the duty-free shed in the port of Paranagua. In June 1959 Paraguay signed a treaty with Spain, which created a duty-free shed in the port of Asunción and a free zone for goods originating in Spain. On 28 January 1961, Brazil issued Decree No. 50,259 which established the rules for the utilisation of the transit sheds in Paranagua and Santos. A Customs procedure for the treatment of export, import and transit cargo was also established under the supervision of the officers in Santos and Paranagua. This procedure allowed Paraguay to appoint one or more delegates to represent the consignees. The goods are subject to port tariffs and Customs service fees.

91. Paraguay signed similar agreements with neighbouring countries in return for the development of free zones and port installations. For example, on 25 March 1976 Paraguay signed an agreement with Uruguay for the use of grain silos, a transit shed and the creation of a free zone in Nueva Palmira. On 12 November 1976 the Administración Nacional de Navegación y Puertos in Paraguay took possession of the southern half of Shed No. G7 in the port of Montevideo for the purpose of storing and distributing Paraguayan imports and exports.

92. An agreement signed in Buenos Aires on 29 November 1979, set the conditions for the installation of a dock and free zone in the Paraguayan port of Rosario (Province of Santa Fe). The agreement restricted the use of the port to the importation and exportation, free of charge, of Paraguayan goods. Paraguay also obtained the right to appoint Customs

representation in the free zone to control trade flow and for the administrative duties required by Argentine Customs.

93. Paraguay's successful negotiations with neighbouring countries have allowed the acquisition of duty-free zones and warehouses in those countries. These concessions facilitate the transit of goods to and from Paraguay, benefit the economic activity of the country and have led to bilateral relationships within South America. The foreign warehouses and duty-free zones that are also managed by the Paraguay Port Administration (ANNP) are as follows:

Rio Grande do Sul	Duty-free Shed	- Brazil
Paranagua	Duty-free Shed	- Brazil
Santos	Duty-free Shed	- Brazil
Buenos Aires	Duty-free Shed	- Argentina
Rosario	Free Zone	- Argentina
Montevideo	Free Zone	- Uruguay
Nueva Palmira	Free Zone	- Uruguay
Antogafasta	Duty-free Shed	- Chile

For every consignment handled at the transit ports ANNP charges $0.50 per ton.

94. In March 1991 Paraguay joined the Southern Cone Common Market (MERCOSUR), which comprises Brazil, Argentina and Uruguay. Paraguay has advantageous agreements with the neighbouring countries. Additionally, their free zones are well administered by the National Administration of Ports a State-owned institution which specializes in port management. A large percentage of Paraguay is trade is with Brazil and Argentina. This trade is not considered to be transit trade but simply import and export operations between two neighbouring countries.

95. In recent years Paraguay has incorporated into its national legislation the following accords:

- Acuerdo de Alcance Parcial sobre transporte Internacional terrestre en los paises del Mercosur (A partial accord on international road transport within Mercosur countries) (22/10/97). Introduced internationally recognized principles of road transportation;
- Principios generales para el acceso a la profesión de transportista y su ejercicio en el ámbito del Mercosur. (General Principles for access to the profession of international transporter, and their operation within Mercosur countries), Resolution GMC No 58/94; Decree No. 16513 (07/03/97);
- Regulatory measures to guarantee goods transport through Mercosur countries;
- Acuerdo sobre reglamentación basica unificada de Transito (Accord and Basic Unified Regulation of Transit), Resolution GMC No 8/92; Decree No. 16860 (15/04/97); Sets out a uniform transit rules for transporters;

- Acuerdo de alcance parcial para la facilitación del Transporte Multimodal de mercancías del Mercosur (Partial accord for Mercosur Multimodal Transport Facilitation), Decision GMC No. 15/94; Decree No. 16927 (16/04/97). Trade facilitation concepts were introduced into this accord to facilitate the crossing of borders;
- Acuerdo de alcance parcial para la facilitación del transporte de mercancias peligrosas del Mercosur (Partial accord for the transport of dangerous goods in Mercosur countries), Decision GMC 2/94; 14/94 Decree No.17723 (04/07/97). Precautionary measures for the transport of dangerous goods already in force in Europe were introduced and enforced within Mercosur countries;
- Norma sobre mercaderías cargadas en distintas aduanas del país de partida con un mismo MIC/DTA y en la misma unidad de transporte (Norms for the consignment loaded in different Customs Offices and having one MIC/DTA in one transport unit) Resolution GMC No. 116/94; Decree No. 7143 (30/12/94);
- The international manifest of cargo and Customs declaration previously agreed and put into force with a Latin American Southern Cone Agreement needed further clarification for proper use; this instrument clarifies a number of matters;
- Norma sobre la operación aduanera para transporte de correspondencia y encomiendas en ómnibus de pasajeros de linea regular, habilitados p/viajes internacionales (Norms of Custom Operative for Parcels and Post transported on Passenger Buses with international transport licences), Resolution MOPC No. 117/94; Decree No. 7143 (30/12/94). An instrument to regularize the transport of parcels in commercial passenger vehicles; some recommendations of the World Customs Organization were incorporated;
- Normativa sobre pesos y dimensiones el Mercosur (Norms of Weights and Measurements within Mercosur), Resolution MOPC No. 1762 (28/11/97). The maximum weights and measurements allowed for vehicles were agreed upon and introduced in every country as axle load laws;
- Criterios básicos de la Inspección Téchnica Vehicular (Basic Norms of Vehicles Technical Inspection), Resolution MOPC No. 1694/99;
- Instrucciones para la fiscalización del transporte por carretera de mercancías peligrosas en el Mercosur (Instructions for Mercosur dangerous goods transport by road), Resolution GMC No. 10/2000; Resolution MOPC 923 (17/07/2000).

96. Most of this legislation is based on internationally approved MERCOSUR accords and resolutions; the legal instruments are proposed and agreed at intergovernmental meetings within the framework of MERCOSUR. The instruments are subsequently incorporated into the national legislation of member States.

3. Institutional framework for planning and coordination of transit transport sector development

97. In September 2000 the Parliament of Paraguay passed Law No. 1590, which regulates the national transportation system. It created the National Directory of Transport

(DINATRANS) and the Metropolitan Secretariat of Transport (SETAMA), both of which are decentralized institutions with the power to determine policy and regulate the transport of passengers and cargo in the territory of Paraguay. These institutions are coordinated by the Ministry of Public Works and Communications. DINATRANS is a national institution, while SETAMA administers Asunción and its metropolitan area.

98. The Ministry of Public Works and Communications has an office dealing with concessions, a planning department and an office for infrastructure development. The Dirección General de Vialidad of Paraguay is the authority responsible for the building and maintenance of roads. All of these offices and departments participate in drafting of reference for tenders and the allocation of contracts. The Dirección Nacional de Aeronautica Civil (DINAC) is responsible for air transport and the countries' airports. The Administración Nacional de Navegación y Puertos (ANNP) is a State-owned institution established on 17 August 1965 by Law No. 1066. It is in charge of the management and operation of all ports in Paraguay.

99. Paraguay is a member of the Latin American Association (ALADI). It joined MERCOSUR in January 1995. As a member of MERCOSUR, Paraguay applies a Common External Tariff (CET) (0-20 per cent) on most goods. There are 399 items that are exempt from the CET, including the majority of goods re-exported to Brazil and Argentina. By 2006 the tariffs on these goods must be incrementally increased so that they are in line with CET levels. Customs rates may be as high as 70 per cent for protected commodities.

4. Customs procedures for clearing transit cargo in Paraguay

100. Paraguay Customs are under the authority of the Ministry of Finance, and play an important budgetary role. Import and export operations must be processed through authorized banks and supervised by the Central Bank of Paraguay. The documents required for clearing imports are: (i) an import statement issued by the bank; (ii) a commercial invoice issued by the seller of the merchandise; (iii) a certificate of origin; (iv) a pro forma invoice; (v) a bill of lading or airway bill; (vi) a packing list; and (vii) the relevant sanitary, health, and "certificado fitosanitario" certificates.

101. Until 1997 Customs clearing procedures were extremely bureaucratic. Apart from the compulsory certificate of inspection, the importer had to present an original bill of lading, a commercial invoice and a certificate of origin. The bill of lading and invoice had to have a consular visa that cost $15. The certificate of origin was required to have a visa that cost $22. At times it took up to two days to clear goods through Customs. Goods presented without a visa incurred a fine of 300 per cent of the calculated rate. Owing to these lengthy importation procedures, clearing agents demanded the installation of an automated system to facilitate the clearance procedure.

102. Such a system has been in use since March 1997 and has the following four modules: (i) a summary declaration (manifest details entered in sheds and the final destination

Customs offices); (ii) a detailed declaration (used by the agent to enter data to validate registers of the consignee, agent, means of transport etc, it controls the tariff and current legal provisions for each tariff book position and the documents presented); (iii) a tariff book (a database with legal provisions, agreements, exceptions and duty tariffs, it uses artificial intelligence to decide which tariffs are applicable, and calculates the duties and taxes are applicable); and (iv) revenue (controls the payment of duties, carries out assignment of proceeds and transfer of the amounts received for each destination, and prints receipts).

103. With the use of the automated system SOFIA, the Government expects an increase in collection of customs duties. To date, Customs agents are satisfied with the performance of SOFIA but complain that its' potential has not been fully realized. Features such as random appointment of Customs controllers, green line and bank payments are not used for lack of legal provisions.

104. To cover fiscal obligations during a transit operation, the transport units of the carrier serve as the warranty; therefore, each country's Customs are responsible for registering the transport operators and their vehicles. The goods submitted to the international Customs must be presented to the authorities at the departure Customs office with a MIC/DTA and all commercial transport documents required.

B. Sectoral issues

1. Railways

105. The 135-year-old Ferrocarril Central del Paraguay, President Carlos Antonio López (FCPCAL) has a main line joining Asunción City with Encarnación by the Encarnación-Posadas International bridge. This line links FCPCAL with Argentine, Uruguayan and Brazilian railway networks. This railway has a complicated history. It started as a State-owned railway and was later purchased by a British company. In 1961 it was once again nationalized. Since then the Paraguayan Government has made no investments in the system. The railway needs a substantial investment for renovation. Most of the rolling stock is 80 years old. It appears that the high costs involved in modernizing this old railway are not an attractive investment.

2. Road transport

106. Since the establishment of MERCOSUR in January 1995, the traffic between Paraguay and neighbouring countries has increased. Transportation of export commodities increased by 10 per cent, and it is projected that the number of vehicles will reach 1.77 times the 1998 figures. It is estimated that by 2010 the number will increase 2.62 times. Additionally, 80 per cent of national cargo transport is by road; therefore, the building and upgrading of roads is essential for trade promotion.

107. There has been a continuous effort to build an efficient road network in Paraguay. In 1965 the network covered of 6,398 kilometres. Since then, Paraguay has increased the network ninefold. Today there are 55,873 kilometres of road, of which 3,224 are paved. The majority of the roads are two-way platforms that are 6.5 metres wide.

108. There are six main corridors:

Corridors and main segments	Length (km)	Surface	Vehicles x day
1. ASUNCION - ENCARNACION	370		
Asuncion – Paraguari	63	Paved	6,750
Paraguari-Encarnación	307	Paved	1,833
2. ASUNCION C. DEL ESTE	327		
Asuncion-Ypacarai	36	Paved	12,268
Ypacarai- Cnl. Oviedo	96	Paved	5,388
Cnl. Oviedo-C.del Este	195	Paved	3,700
3. CNL. OVIEDO - NORTE	397		
Cnl.Oviedo-Santa Rosa	196	Paved	2,016
Santa Rosa - Yby Yaú	98	Paved	1,151
Yby Yaú-P.J.Caballero	103	Paved	1,347
4. CNL. OVIEDO - SUR	206		
Cnl.Oviedo-Villarrica	41	Paved	2,717
Villarrica - Caazapá	55	Paved	1,207
Caazapá-Empalme Ruta 1	110	Dirt	245
5. CORREDOR TRANSCHACO	516		
Asunción - Río Verde	323	Paved	1,016
R.Verde-Estigarribia	193	Paved	734
6. ENCARNACIÓN-C. DEL ESTE	250		
Emp. R7 - Santa Rosa	42	Paved	3,133
Santa Ros -Dv.B. Vista	161	Paved	2,000
Dv.B.Vista-Encarnación	47	Paved	5,000

Source: Dirección General de Vialidad (Inventario Vial, 1995).

109. A road tax is included in the price of petrol, but the revenues go to the national treasury and not to road maintenance. Several projects are being implemented to rehabilitate the road network.

110. Paraguay's experiment with road concessions began with a 30-kilometre section of road between Ciudad del Este and Cayezu; the concessionnaire undertook to rehabilitate and improve the road and recover his investment within 25 years.

111. The Government is now completing studies to give concessions for the following roads:

1. Route No. 1, "Marechal Francisco Solano Lopez", from San Lorenzo to the San Roque Gonzalez de Santa Cruz International Bridge in Encarnación, on the border with Argentina. Investment of $150 million and a 25-year concession.

2. Route No. 2, "Marechal Jose Felix Estigarribia", from San Lorenzo to San Jose. Investment of $170 million and a 25-year concession.
3. Route No. 2, "Marechal Jose Felix Estigarribia", 21 kilometres from San Jose to Cnel Oviedo, 51 kilometres. From Cnel Oviedo to Caaguazu on Route No. 7, "Dr. Jose Gaspar Rodriguez de Francia". Investment of $75 Million and a 25- year concession.
4. Route No. 6, "Dr. Juan Leon Mallorquin", 250 kilometres from Encarnación to Junction 296.5 kilometres of Route No. 7 in Minga Guazu. Investment of $85 million and a 25-year concession.

112. In a second stage, six more segments will be considered for concession: (i) Cnl Oviedo to Tacuara; (ii) Route 3, Tacuara Yby Yau; (iii) Route 5, Concepción Pedro Juan Caballero; (iv) Route 9, Remanso Bridge to Kilometres. 54; (v) Hernandarias Junction Carumbey; and (vi) Route 10, Carumbey to Salto de Guaira. There are two technical departments–the Comisión Paraguaya de Construcción (COPACO) and the Comisión de Constructores Viales Paraguayas (COMIALPA). In each department there are representatives of private and professional business chambers. Road studies in urban areas are being financed by JICA. These studies are for projects that would allow national roads to bypass towns, thereby avoiding bottlenecks.

113. According to 1998 statistics, the national fleet had 137 registered transport companies and 38,000 tons of loading capacity. Foreign transport companies also operate in Paraguay. There are 89 freight forwarders from Argentina, 81 from Brazil, 163 from Chile, and 21 from Uruguay. Local transporters and transport authorities agree that the total capacity of the road transport fleet authorized to carry international cargo is about 95,000 tons. This is sufficient capacity for Paraguayan needs in normal times, but during the peak of the soya crop season it is insufficient. For this reason, Brazilian trucks are allowed to carry the excess. The national transport sector complains that the foreign registered vehicles take additional trailers to enable the tractors to make more trips. The tractors leave trailers behind to load and unload at both ends of the journey.

114. Road tariffs are not regulated by the Government of Paraguay. There is an open market and the rates are regulated by seasonal supply and demand. As a consequence, there is a cargo imbalance and there are major differences between one-way and two-way freight tariffs. General cargo prices are set out below. Special and refrigerated cargo has considerably higher freight charges. (Prices shown are United States dollars per ton and for full-load 25 ton trucks.)

Segment	Tariff per ton		Full load	
	One way	Return	One way	Return
Asunción – Buenos Aires	52	64	1,300	1,600
Asunción - Paranagua	56	60	1,400	1,500
Asunción - Paranagua	60	68	1,500	1,700
Asunción - S. de Chile	84	120	2,100	3,000

115. Both local and international transport in Paraguay has to follow an annual registration procedure with the Ministry of Public Works and Communications (Dirección de Transporte Terrestre. Transport vehicles are regulated under Government Decree 22,094/47. The originally approved maximum width, height, length and weight measures have been harmonized with those of MERCOSUR countries by Resolution 5/90 and others.

- Maximum with: 2.50 metres [1]
- Maximum height: 4.00 metres [2]
- Length (2 axle towing truck): 10.50 metres
- Length (lorry and trailer): 20.00 metres
- Maximum weight: 10,500 Kg [3]

(1) 2.60 metres for international transport (MERCOSUR).

(2) For log-carrying trucks the cargo must not extend beyond the cabin roof.

(3) This value is for a single axle with two axles; there is a table of maximum loads for different axle combinations.

3. Inland waterways

116. There are two principal waterways in Paraguay–the Paraguay and Paraná Rivers. On 15 October 1957, Law No. 476 established the code of river and maritime navigation policy. The law laid down rules concerning ships, their documentation, the crew, passengers and owners' rights and obligations. In 1971 Paraguay established, by Law No. 295, a 50 per cent cargo reserve for its' river and sea fleet. This 50 per cent quota was compulsory for countries that do not belong to the Latin American Association of Free Trade (ALALC).

117. The same law sets the conditions that a vessel must meet in order to fly the national flag. Argentina, Bolivia, Brazil, Paraguay and Uruguay signed an Accord on Fluvial Navigation on the Paraguay-Paraná Rivers in Las Leñas on 26 June 1996. This Accord determined the principles of free navigation, equal treatment, freedom of transit and reciprocity. It outlined the multilateral treatment of cargo reservation, ship ownership, transport, trade facilitation and port and navigational services, as well as the procedures for dispute settlement, evaluation, modification and application.

118. Concerns were raised about the environmental damage that commercial navigation can cause, and several institutions opposed river dredging and other modifications. The general consensus was that only minor changes would be made in the river's course. To

appease environmental concerns only three rock barriers in the Paraguay will be exploded. Also a new technology is being employed which will allow the narrowing of the river's banks in order to increase the depth without altering water flow. A set of Protocols to the Las Leñas Accord set uniform regulations for navigational safety, contamination and Customs procedures.

119. Before the 1960s inland water transport was the most important means of foreign trade. The development of road networks and facilities in the port of Paranagua relegated river transport to secondary importance. Today the amount of cargo being shipped by the Hidrovia is increasing. Capacity has increased from 60,000 to 80,000 tons per day. Grain, the main export is shipped to Argentina. River navigation is now more reliable since tugboat crews are trained in satellite navigation systems, and there is better equipment and increased barge capacity.

120. The management and operation of all ports in Paraguay, as well as river and maritime navigation, are under the control of the Administración Nacional de Navegación y Puertos (ANNP), which is under the Ministry of Public Works and Communications. Two private ports which are within the Asunción area–Caa Cupemi and Paksa–are competing successfully with the State-owned port of Asuncion. They are regarded as safer and more reliable, and operate without the union difficulties that trouble the State-owned ports.

121. Of State-owned ports on the Paraguay River; Asunción, Concepción, Villeta and, Pilar are of primery importance, while Antequera, Alberdi, Sajonia, Bahia Negra, Ita Enramada, Pto Pabla, Ita Pyta Punta, Remanso Castillo, Villa Hayes and Vallemi are of secondary importance. Of the State-owned ports on the Paraná River Saltos del Guaira and Presidente Franco are of primary importance, while Ayolas and Ita Piru are of secondary importance.

122. Port tariffs, which had been in use since 1992, were recently modified and updated by Decree No. 9333 (28 June 2000). The new tariffs increased by 20 per cent, but as they are calculated in local currency and not in United States dollars, they are actually lower. This is because in 1995 the exchange rate was $1 = 2.000 Gs. and in April 2001 is $1 = 3.700 Gs.

123. The Paraguayan port system is managed and operated by ANNP. There are a number of dry ports, namely Ciudad del Este, Pedro Juan Caballero, José A. Flacón and Encarnación. Paraguay has a large number of privately owned storage facilities located along the river banks. Their operation is authorized and supervised by ANNP.

PORT FEES (ANNP)

SERVICE Rate X Unit	1995	2001
- Sling general - cargo import	: 3000 Grs/T	3600
- Sling general - cargo-export	: 1500 "	1800
- Handling general cargo - import	: 2000 "	2400
- Handling general cargo - export	: 1000 "	1200
- Warehousing general cargo:		
1st 10 days	: 0,70 %/a.v.	0.75 %/a.v.
2nd period 10 days	: 1,20 %/a.v.	1,25 %/a.v.
3rd period 10 days	: 1,40 %/a.v.	1,50 %/a.v.
- Sling and handling 20' containers	: 12,50 US$/ u.	30.000
40' containers	:	60.000
- Containers Warehousing 20'	: 10,00 US$/u.	8 Days Free
next 8 days	:	24.000
next 8 " and further	:	36.000
40' First 8 days	:	Free
next 8 days	:	48.000
next 8 "and further	:	60.000
- Import goods in foreign ports or Free zone: 0,50 per ton		0.50 US$ per ton.
- Export goods in foreign ports or Free zone: 0,20 per ton		0.20 US$ per ton.

- 20 Ft. container in foreign ports or Free zone: 12 per ton depending on each port
- 40 Ft. container in foreign ports or Free zone: 20 per ton depending on each port
- More than 40 Ft. C in foreign ports or Free zone: 30 per ton depending on each port

Annual turnover in ANNP controlled ports in tonnes

	1994	1995	1999
Imports	2.247.652	2.209.574	2.239.239,1
Exports	2.703.797	3.311.326	3.139.554,7
Domestic	101.377	98.100	354.709,6
Total	5.061.826	5.619.000	5.733.503,4

Tariffs for water transport

These tariffs are not regulated and are the result of the free market. Private ships or foreign ships move 85 per cent of the cargo transported by a river. The following table includes reference tariffs calculated as an average of the tariffs obtained from interviews with private shippers.

Reference tariffs of water transport

- Asunción - Río de la Plata
- Container of 20' (import and export): US$ 425 / u.
- General cargo imports: US$ 16 / m3
- General cargo exports: US$ 20 / ton.

Cargo handled in the ports of Paraguay

Year 1999 Statistic In tons and percentage

PORTS	IMPORTS	%	EXPORTS	%	DOMESTIC	%	TOTAL
Asunción	176.003,5		136.009,2		4.538,9		316.551,6
Private ports	1.031.028,4		542.949,6		---		1.573.978,0
Ciudad del Este	617.193,9		1.251.156,9		---		1.868.350,8
Encarnación	88.794,7		584.024,1		---		672.818,8
Villeta	42.600,9		178.730,3		346.447,6		567.778,8
José Falcon	241.530,7		174.570,9		---		416.101,6
Pedro J. Caballero	25.946,4		30.328,8		----		56.275,2
Salto del Guairá	16.124,6		241.768,1		----		257.892,7
Concepción	16,0		16,8		3.723,1		3.755,9
TOTALS	2.239.239,1	39%	3.139.554,7	55%	354.709,6	6%	5.733.503,4

4. Air transport

124. Air transport is a marginal part of the Paraguayan economy. Less than 1 per cent of cargo is transported by air. There are 862 airports, of which 719 are currently operating. Developing the physical infrastructure in Paraguay for domestic flights of small aircraft was never a priority in the country's development plans.

125. The main international airport is the International airport of Asunción "SILVIO PETTIROSSI". It is located approximately 14.5 kilometres from the city of Asunción.

126. Ciudad del Este has international airport status and five others are equipped for normal jet capability–Concepción, Vallemi, Pilar, Ayolas and Mariscal Estigarribia. Cargo-handling capacity decreased during the 1990s. The reason for this is the lack of adequate air policies and the poor performance of the national airline, LAPSA, which was privatized twice, first by SAETA and more recently by the Brazilian Airline TAN.

5. Communications

127. ANTEL is the State-owned monopoly for telecommunications in Paraguay. Its principal centre is in Asunción; fair inter-city; microwave net; 78,300 telephones; broadcast stations–40 AM, no FM, 5 TV, 7 short wave; 1 Atlantic Ocean INTELSAT earth station.